APPENDIX

Section 7.07 of the Decree

SECTION 7.07. The B. & O. is hereby authorized and directed, as soon as practicable after the execution of the Supplemental Indenture referred to in Section 7.06 hereof, to cause to be attached to the Secured Notes Extension Agreements, and, if the Secured Notes are in coupon form, New Coupons and to cause to be stamped or imprinted on the Secured Notes Notations, all substantially in the respective forms set out in the Supplemental Indenture referred to in Section 7.05 hereof, in the manner more fully specified in said Supplemental Indenture. As soon as practicable after the execution of the Supplemental Indenture referred to in Section 7.06 hereof, said Trustee referred to in Section 7.05 hereof is hereby authorized and directed (1) to present all obligations held by it and affected by the Plan as herein designated for annexation of agreements and stamping or imprinting of notations as in this Article VII provided and (2) to pay over to the B. & O. all dividends and interest which shall have been received by said Trustee from August 1, 1939, to the time of such payment to the B. & O. on the securities held by said Trustee under said Indenture which would have been payable to the B. & O. under the provisions of said Indenture had there been no default by the B. & O. under said Indenture when said dividends or interest were so received for application by the B. & O. to the next succeeding interest payment on the Secured Notes, upon receiving from the B. & O. an undertaking substantially as provided in said Supplemental Indenture.

Excerpt from Section 2 of Article Five of Indenture Securing the Notes

SECTION 2. Unless the Company shall be in default in the payment of interest on some one or more of the Notes,

when and as the same shall become and be payable as therein and herein expressed, or unless some one or more of the events of default specified in subdivisions (*b*), (*c*), (*d*), (*e*) and (*f*) of Section 3 of Article Seven shall have happened and shall be continuing, the Trustee shall not be entitled to collect or to receive the interest and dividends (other than (1) dividends payable in stock, (2) dividends representing a distribution of capital and (3) dividends paid out of surplus or earnings of Reading Company when the amount of the combined capital and surplus of Reading Company, as shown by its books is, or by reason of such payment would become, less than $225,000,000.) payable on the Pledged Securities, and the Trustee shall, as they mature, cut off and cancel the coupons on any bonds in coupon form and, on the written demand of the Company, shall deliver such coupons so cancelled to or upon the written order of the Company, and shall, from time to time, deliver to the Company, at its request, such dividend orders, if any, as may be necessary to enable the Company to receive such dividends payable on the Pledged Securities. The Trustee shall be entitled to receive and shall hold as additional security hereunder any (1) dividends payable in stock or (2) dividends representing a distribution of capital or (3) dividends paid out of surplus or earnings of Reading Company when the amount of the combined capital and surplus of Reading Company as shown by its books is, or by reason of such payment would become, less than $225,000,000. Except as in this indenture provided, the Trustee shall be under no duty to keep account of interest or dividends on the Pledged Securities or to collect the same and shall not in any way be responsible therefor. Unless advised to the contrary in writing by bearers or registered holders of five per cent. in principal amount of the Notes at the time outstanding, the Trustee shall be entitled to assume that dividends paid in cash do not represent (1) a distribution of capital or (2) a distribution out of surplus or earnings of Reading Com-

pany made when the amount of the combined capital and surplus of Reading Company as shown by its books is, or by reason of such payment would become, less than $225,000,000.

The Company covenants and agrees that in case it shall at any time receive any stock as a dividend on any stock at the time pledged hereunder, or in the exercise of subscription rights accruing to the Company as the owner of any such pledged stock, or any dividends (whether stock or not) representing a distribution of capital or paid out of surplus or earnings of Reading Company when the amount of the combined capital and surplus of Reading Company as shown on its books is, or by reason of such payment would become, less than $225,000,000, the same will be forthwith delivered or paid to the Trustee to be held as additional security hereunder.